

**WATERWORKS DISTRICT NO. 7
OF WARDS 6 AND 4 OF CALCASIEU
PARISH, LOUISIANA**

**Component Unit Financial Statements
And Independent Auditors' Report**

September 30, 2008 and 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

5/11/09

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BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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Founded in 1978

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

We have audited the accompanying balance sheets of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of September 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana as of September 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated February 12, 2009 on our consideration of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Broussard & Company

Lake Charles, Louisiana
February 12, 2009

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2008**

The Management's Discussion and Analysis of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended September 30, 2008. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

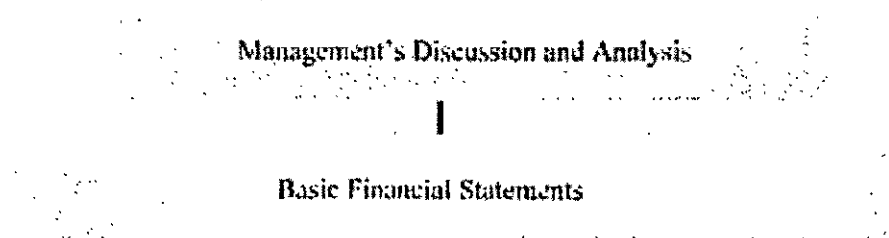
FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of 2008 by \$2,547,052 which represents a 3.8% increase from last fiscal year. Of this amount, \$458,561 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.

The District's operating revenue increased \$23,322 (or 5.6%) and the net results from activities decreased by \$23,323. A significant portion of this decrease in net results from activities is due to an increase in salaries expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2008**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet (pages 7 - 8) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 9 - 10) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 11 - 12) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2008	2007	2006
Current and other assets	\$ 1,042,897	\$ 1,019,602	\$ 869,620
Capital assets	2,305,072	2,289,501	2,354,102
Total assets	3,347,969	3,309,103	3,223,722
Other liabilities	225,567	214,802	222,136
Long-term debt outstanding	575,350	639,450	703,693
Total liabilities	800,917	854,252	925,829
Net assets:			
Capital assets, net of related debt	1,729,722	1,650,051	1,650,409
Reserved for Bond Retirement	358,769	365,571	311,673
Unrestricted	458,561	439,229	335,811
Total net assets	2,547,052	2,454,851	2,297,893
Total liabilities and net assets	\$ 3,347,969	\$ 3,309,103	\$ 3,223,722

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
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AS OF SEPTEMBER 30, 2008**

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District increased by \$92,201, or 3.8%, from September 30, 2007 to September 30, 2008.

	2008	2007	2006
Operating revenues	\$ 443,231	\$ 419,909	\$ 434,425
Operating expenses	(553,174)	(506,529)	(530,421)
Operating income (loss)	(109,943)	(86,620)	(95,996)
Non-operating revenues	245,282	291,343	243,809
Non-operating expenses	(43,138)	(47,765)	(61,389)
Non-operating income (loss)	202,144	243,578	182,420
Net increase (decrease) in net assets	\$ 92,201	\$ 156,958	\$ 86,424

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2008, the District had \$2,305,072, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (see table below). This amount represents a net decrease (including additions and deductions) of \$15,571, or 0.7%, over last year.

	2008	2007	2006
Land	\$ 38,564	\$ 38,564	\$ 38,564
Water Plant	3,753,266	3,700,246	3,689,913
Buildings	122,442	110,690	110,690
Furniture, Fixtures, and Equipment	18,828	28,715	26,114
Meters and Equipment	537,701	472,653	468,211
Construction in Progress	97,972	89,776	30,777
Less Accumulated Depreciation	(2,263,701)	(2,151,143)	(2,010,167)
Totals	\$ 2,305,072	\$ 2,289,501	\$ 2,354,102

This year's Major Capital addition included above was:

- 2008 Komatsu Excavator \$ 35,347
- 2008 Ford Ranger \$ 16,542
- Fence \$ 11,752
- Crown Point Subdivision Project \$ 27,107

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF SEPTEMBER 30, 2008**

Debt

The District had \$616,000 in bonds outstanding at year-end, compared to \$680,000 last year, a decrease of 9.4%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end			
	2008	2007	2006
Revenue Bonds	\$ 588,000	\$ 638,000	\$ 686,000
General Obligation Bonds	28,000	42,000	55,000
Totals	<u>\$ 616,000</u>	<u>\$ 680,000</u>	<u>\$ 741,000</u>

The District's General Obligation bonds and Revenue bonds are AAA insured.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joe Withers, District Manager, Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Balance Sheets
As of September 30,**

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 518,986	\$ 477,541
Receivables - net of allowance for uncollectible accounts of \$2,911 for 2008 and \$2,602 for 2007	50,017	62,373
Interest	340	59
Prepaid insurance	10,287	10,510
Total Current Assets	<u>579,630</u>	<u>550,483</u>
RESTRICTED ASSETS		
Cash and cash equivalents	439,253	444,443
Certificate of deposit	10,118	9,677
Total Restricted Assets	<u>449,371</u>	<u>454,120</u>
PROPERTY, PLANT, AND EQUIPMENT		
Water plant	3,753,266	3,700,246
Buildings	122,442	110,690
Office furniture and equipment	18,828	28,715
Construction in progress	97,972	89,776
Meters and equipment	537,701	472,653
	4,530,209	4,402,080
Less: accumulated depreciation	(2,263,701)	(2,151,143)
	2,266,508	2,250,937
Land	38,564	38,564
Net Property, Plant, and Equipment	<u>2,305,072</u>	<u>2,289,501</u>
OTHER ASSETS		
Bond issue costs, (net of \$7,214 amortization)	5,896	6,999
Perpetual service agreement	8,000	8,000
Total Other Assets	<u>13,896</u>	<u>14,999</u>
TOTAL ASSETS	<u>\$ 3,347,969</u>	<u>\$ 3,309,103</u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Balance Sheets (continued)
As of September 30,**

	<u>2008</u>	<u>2007</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,198	\$ 7,020
Payroll taxes and retirement payable	11,585	8,419
Wages payable	19,163	14,054
DHH fees	35	35
Current portion of capital lease	-	7,496
Total Current Liabilities	<u>37,981</u>	<u>37,024</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Customer deposits	74,100	70,400
Interest payable	13,484	14,872
Deferred tax revenue	100,002	100,002
Current portion of revenue bonds	53,000	50,000
Current portion of general obligation bonds	14,000	14,000
Total Current Liabilities (Payable From Restricted Assets)	<u>254,586</u>	<u>249,274</u>
LONG-TERM LIABILITIES		
Payable from restricted assets:		
Revenue bonds (net of current portion and deferred loss)	494,350	539,954
General obligation bonds (net of current portion)	14,000	28,000
Total Long-Term Liabilities	<u>508,350</u>	<u>567,954</u>
Total Liabilities	<u>800,917</u>	<u>854,252</u>
NET ASSETS		
Capital assets, net of related debt	1,729,722	1,650,051
Restricted for bond retirement	358,769	365,571
Unrestricted	458,561	439,229
Total Net Assets	<u>2,547,052</u>	<u>2,454,851</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,347,969</u>	<u>\$ 3,309,103</u>

The accompanying notes are an integral part of the financial statements.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Revenues, Expenses, and Changes in Net Assets
For The Years Ended September 30,

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Water sales and fees	\$ 405,180	\$ 391,162
Member fees	14,000	7,500
Service charge income	9,216	6,312
Late charge income	14,835	14,935
Total Operating Revenues	<u>443,231</u>	<u>419,909</u>
OPERATING EXPENSES		
Amortization	1,103	1,153
Advertising	471	468
Board per diem	4,335	4,050
Bank charges	326	1,103
Chemicals	13,206	11,488
Contract labor	500	2,511
Depreciation	142,744	140,976
Dues and subscriptions	1,237	1,197
Fiscal agent fees	200	250
Fuel	14,574	9,728
Insurance	51,501	43,721
Office expenses	7,182	3,369
Payroll taxes and retirement	26,807	24,038
Permits and licenses	580	375
Postage	6,537	4,504
Professional services	14,994	10,393
Professional development	695	672
Repairs and maintenance	5,725	14,315
Salaries	197,796	168,587
Supplies	14,809	17,527
Telephone	4,741	4,589
Travel and meals	1,275	34
Uniforms	633	1,654
Utilities	40,527	37,183
Rent expense	367	792
Bad debt expense	309	1,852
Total Operating Expenses	<u>553,174</u>	<u>506,529</u>
INCOME FROM OPERATIONS	<u>\$ (109,943)</u>	<u>\$ (86,620)</u>

The accompanying notes are an integral part of the financial statements.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Revenues, Expenses, and Changes in Net Assets (Continued)
For The Years Ended September 30,

	<u>2008</u>	<u>2007</u>
NON-OPERATING REVENUES (EXPENSES)		
Tax revenue	\$ 194,243	\$ 235,109
CPPJ grant revenue	-	10,000
Revenue sharing	5,143	5,143
Interest income	13,377	23,372
Interest expense	(40,635)	(44,595)
Miscellaneous revenues	32,519	17,719
Miscellaneous expenses	(2,503)	(3,170)
Total Non-Operating Revenues	<u>202,144</u>	<u>243,578</u>
CHANGE IN NET ASSETS	<u>92,201</u>	<u>156,958</u>
NET ASSETS - Beginning of Year	<u>2,454,851</u>	<u>2,297,893</u>
NET ASSETS - End of Year	<u><u>\$ 2,547,052</u></u>	<u><u>\$ 2,454,851</u></u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Cash Flows
For The Years Ended September 30,**

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 455,587	\$ 411,626
Payments to suppliers	(207,076)	(187,975)
Payments to employees	(193,856)	(174,295)
Other	-	(741)
Net Cash Provided (Used) by Operating Activities	<u>54,655</u>	<u>48,615</u>
Cash Flows From Investing Activities:		
Interest income	<u>13,096</u>	<u>23,372</u>
Net Cash Provided (Used) by Investing Activities	<u>13,096</u>	<u>23,372</u>
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(158,311)	(76,375)
Principal payments on bonds	(64,000)	(61,000)
Principal payments on capital lease	(7,496)	(10,921)
Cash received for ad valorem taxes	194,243	235,109
Intergovernmental - revenue sharing	5,143	5,143
Cash provided from CPPJ Grant	-	10,000
Cash provided from miscellaneous income	37,248	19,269
Cash received (disbursed) for customer deposits	3,700	(7,400)
Interest expense	<u>(42,023)</u>	<u>(44,595)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(31,496)</u>	<u>69,230</u>
Net Increase (Decrease) in Cash	36,255	141,217
Cash and Cash Equivalents - Beginning of Year	<u>921,984</u>	<u>780,767</u>
Cash and Cash Equivalents - End of Year	<u><u>958,239</u></u>	<u><u>921,984</u></u>
Cash and Cash Equivalents:		
Cash - unrestricted	518,986	477,541
Cash - restricted	439,253	444,443
	<u><u>\$ 958,239</u></u>	<u><u>\$ 921,984</u></u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a Component Unit of
the Calcasieu Parish Police Jury
Statements of Cash Flows (Continued)
For The Years Ended September 30,**

	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	\$ (109,943)	\$ (86,620)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	142,744	140,976
Amortization	1,103	1,153
(Increase) decrease in receivables	12,075	(8,283)
(Increase) decrease in prepaid insurance	223	-
Increase (decrease) in accounts payable and other accrued expenses	<u>8,453</u>	<u>1,389</u>
Total Adjustments	<u>164,598</u>	<u>135,235</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 54,655</u></u>	<u><u>\$ 48,615</u></u>
 Supplemental Disclosure:		
Cash paid for interest (net of amount capitalized)	<u><u>\$ 42,023</u></u>	<u><u>\$ 45,918</u></u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies

Waterworks District No. 7 of Wards 6 and 4 was created by the Calcasieu Parish Police Jury, as authorized by Louisiana Revised Statute 33:3811. The Waterworks District is governed by a five-member board of commissioners who are appointed by the police jury and are responsible for providing water service to users within the boundaries of the district.

In conformance with the National Council on Governmental Accounting, Statement 3, Waterworks District No. 7 of Wards 6 and 4 is a component unit of the Calcasieu Parish Police Jury, the governing body of the parish. The accompanying financial statements present information only on the fund maintained by Waterworks District No. 7 of Wards 6 and 4 and do not present information on the Calcasieu Parish Police Jury and the general government services provided by that governmental unit.

Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The District has implemented GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments."

Proprietary fund statements of net assets and revenues, expenses, and changes in fund assets are presented using the economic resources measurement focus and the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for water services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies (Continued)

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB

Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

Property, Plant, and Equipment

All fixed assets of the proprietary fund are recorded at historical costs, or, if contributed property, at their estimated fair value at the time of contribution. Depreciation of all exhaustible fixed assets is charged as an expense against their operations.

The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend assets lives are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation is provided in this enterprise fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives range from 5 to 40 years. Land costs are not depreciated.

Depreciation expense for the years ended September 30, 2008 and 2007 was \$142,744 and \$140,976, respectively.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies (Continued)

Additions and deletions to property plant, and equipment for the year ended September 30, 2008 were as follows:

	Beginning of Year	Additions	Disposals	End of Year
Land	\$ 38,564	\$ -	\$ -	\$ 38,564
Construction in Progress	89,776	29,270	21,074	97,972
Capital Assets Being Depreciated:				
Water Plant	3,700,246	53,020	-	3,753,266
Buildings	110,690	11,752	-	122,442
Office Furniture and Equipment	28,715	-	9,887	18,828
Meters and Equipment	472,653	85,347	20,299	537,701
Total Capital Assets Being Depreciated	4,312,304	-	-	4,432,237
Less Accumulated Depreciation	(2,151,143)	(142,744)	30,186	(2,263,701)
Total Capital Assets Being Depreciated, Net of Depreciation	2,161,161	-	-	2,168,536
Total Capital Assets, Net	\$ 2,289,501	\$ 36,645	\$ 21,074	\$ 2,305,072

Budgets and Budgetary Accounting

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, non-operating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

Risk Management

The Water District purchases fidelity bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the years ended September 30, 2008 and 2007, the District contributed premiums of \$19,584 and \$18,612, respectively. There were no significant reductions in insurance coverage from the prior year.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

For the years ended September 30, 2008 and 2007, taxes of 5.00 and 5.86 mills, respectively, were levied on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana. These taxes were dedicated as follows:

	<u>2008</u>	<u>2007</u>
Maintenance fund	4.00	5.00

The following is a schedule of the 2007 property tax calendar that is applicable to the District:

1. Levy date - October, 2007
2. Billing date - November, 2007
3. Collection dates - December, 2007 - May, 2008
4. Due dated - On receipt
5. Delinquent date - December 31, 2007
6. Lien date - June, 2008

These taxes, less certain uncollectibles, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 2008.

Note 2 - Restricted Assets

Restricted assets were applicable to the following at September 30,

	<u>2008</u>	<u>2007</u>
Water Depreciation and Contingency Fund	\$ 61,070	\$ 56,934
Water Reserve Fund	84,339	84,339
Water Revenue Bond and Interest Sinking Fund	82,703	82,428
General Obligation Bond and Interest Sinking Fund	147,132	159,992
Customer Deposits Fund	74,100	70,400
Cash with Fiscal Agent	27	27
	<u>\$ 449,371</u>	<u>\$ 454,120</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 2 - Restricted Assets (Continued)

The Revenue Bond Resolution contains certain restrictive covenants which, among other things, require the establishment and maintenance of a "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund") to ensure the prompt payment of principal and interest installments as they become due. The Resolution requires that a sum equal to one-twelfth of the total amount of principal and interest falling due in the ensuing year be restricted on a monthly basis. The Resolution also requires that five percent (5%) of the amount to be paid into the "Sinking Fund" for the month be restricted until such time that the accumulated balance is equal to the highest combined principal and interest falling due in any year. In addition, a sum equal to five percent (5%) of the amount to be paid monthly into the "Sinking Fund" is required to be deposited monthly in the "Depreciation Fund" to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits.

An ad valorem tax is levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds. Tax revenues received that are dedicated for such purposes are required to be restricted.

Note 3 - Bonds Payable

The following is a summary of bond transactions of the Waterworks District for the year ended September 30, 2008

	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>
Outstanding at September 30, 2007	\$ 638,000	\$ 42,000
Redeemed in Year	<u>(50,000)</u>	<u>(14,000)</u>
Outstanding at September 30, 2008	\$ <u>588,000</u>	\$ <u>28,000</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 3 - Bonds Payable (Continued)

Revenue Bonds:

\$832,000 Water Revenue Bonds, Series 2002, due in annual principal installments of \$17,000 - \$79,000 through November 1, 2016, plus interest at 5.29%

\$ 588,000

General Obligation Bonds:

\$100,000 General Obligation Refunding Bonds, Series 2002, due in annual principal installments of \$11,000 - \$14,000 through May 1, 2010, plus interest currently at 4.0% and varying to 5% (this issue secured by levy and collection of ad valorem taxes)

28,000

Less deferred loss

(40,650)

575,350

Less current maturities

(67,000)

\$ 508,350

The annual requirements to amortize all debt outstanding as of September 30, 2008 are as follows:

General Obligation Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	14,000	1,400	15,400
2010	14,000	700	14,700
Total	\$ 28,000	\$ 2,100	\$ 30,100

Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 53,000	\$ 29,703	\$ 82,703
2010	56,000	26,820	82,820
2011	59,000	23,779	82,779
2012	61,000	20,605	81,605
2013	65,000	17,272	82,272
2014-2017	294,000	32,057	326,057
Total	\$ 588,000	\$ 150,236	\$ 738,236

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 4 - Capital Lease

The District entered into a Lease - Purchase Agreement on May 15, 2003, with First Security Leasing for \$50,000 as partial payment on the new Mobile Radio Meter System. The total cost of the radio equipment was \$160,425, and accumulated depreciation at September 30, 2008 and 2007 was \$86,897 and \$70,854, respectively. The Agreement was assigned to Cameron State Bank on August 6, 2003. The Lease is payable in sixty (60) monthly installments of \$949, including interest at 3.5%. Final payment is due May 15, 2008.

Capital Lease Payable - Beginning of Year	\$ 7,496
Payments Made in Year	<u>(7,496)</u>
Capital Lease Payable - End of Year	-
Current Portion	<u>-</u>
Long-term Capital Lease	<u>\$ -</u>

Note 5 - Cash and Cash Equivalents

The District had cash and cash equivalents (book balance) as of September 30, 2008 and 2007 as follows:

	2008	2007
Demand Deposits	\$ 309,400	314,048
Interest-Bearing Demand Deposits	648,689	607,786
Other	<u>150</u>	<u>150</u>
Total	<u>\$ 958,239</u>	<u>921,984</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned. At September 30, 2008, the District had \$968,394 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,820,193 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 6 - Investments

Louisiana law authorizes and directs municipalities, parishes, school boards, and any other political subdivisions of the state to invest public funds only in certain investments. These investments include, but are not limited to: (1) direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States; (2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by either federal agencies or U.S. government instrumentalities, which are federally sponsored; (3) direct security repurchase agreements; (4) time certificates of deposit; and (5) mutual or trust funds.

At September 30, 2008 and 2007, the District's investment balance was a certificate of deposit with a fair value of \$10,118 and \$9,677, respectively. These deposits were secured from risk by \$10,118 and \$9,677 of federal deposit insurance.

Note 7 -Flow of funds: Restrictions on Use - Utilities Revenues

Under the terms of the bond resolution on outstanding Water Revenue Bonds dated April 2, 2002, all income and revenues of every nature, earned and derived from operation of the waterworks system are pledged and dedicated to the retirement of said bonds and the payment of expenses of operating and maintaining the system. Such revenue is to be deposited into a separate and special bank account to be administered in the following order of priority and for the following purposes:

The payment of all reasonable and necessary expenses of administration, operation and maintenance of the system.

The establishment and maintenance of a Water Revenue Bond and Interest Sinking Fund by transferring from the Operating Account each month an amount constituting 1/12 of the next maturing installment including interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

The establishment and maintenance of a Water Reserve Fund by transferring from the Operating Account each month an amount at least equal to 5.0% of the amount to be paid into the Sinking fund described above until there shall have been accumulated in the Reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. The money in said account is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 7 - Flow of funds: Restrictions on Use - Utilities Revenues (Continued)

The establishment and maintenance of a Water Depreciation and Contingency fund by transferring from the Operating Account a sum equal to 5.0% of the amount to be paid monthly into the Sinking Fund each month to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bond falling due at any time if there is not sufficient money for payment in the other bond funds.

The balance of the excess funds on deposit in the Water Revenue Fund, after the transfer of the required amount into the above noted funds, may be used for the purpose of calling and/or paying bonds or for any other lawful corporate purpose as the Governing Authority may determine.

Note 8 - Retirement System

Full-time employees are members of the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), which is the administrator of a cost sharing multiple-employer plan.

Fiscal year ending September 30, 2008 payroll was \$197,796, of which \$193,636 was covered by the Plan.

Fiscal year ending September 30, 2007 payroll was \$168,587, of which \$168,587 was covered by the Plan.

Any person who is a permanent employee and works at least 28 hours a week and whose compensation is paid wholly or partly by a covered employer is covered by this system.

Plan Benefits

Plan A Fund Benefits:

Any member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, 10 years of creditable service and is at least age 60, or 7 years of creditable service and is at least age 65. For employees hired after January 1, 2007, a member is eligible for normal retirement if he has at least 30 years of creditable service and is at least age 55, 10 years of creditable service and is at least age 62, or 7 years of creditable service and is at least age 67.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 8 - Retirement System (Continued)

The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months (60 months for members hired January 1, 2007 and later)) multiplied by his years of creditable service.

The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months (60 months for members hired January 1, 2007 and later)) multiplied by his years of creditable service; however, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary (last 12 months) or the final average compensation.

A member is eligible to retire and receive disability benefits if he has at least 5 years (7 years if hired January 1, 2007 and later) of creditable service, is not eligible for normal retirement and suffers disability, which has been certified by the State Medical Disability Board. The rate is 3% of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statutes.

Upon death of a member with 5 or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 30% to 60% of the member's final compensation.

Deferred Retirement Option

In lieu of terminating employment and accepting a service retirement allowance, any member who has been an active contributing member for one full year after becoming eligible for a normal retirement allowance may elect to participate in the Deferred Retirement Option Plan, and defer the receipt of benefits.

The duration of participation in the plan shall be specified and shall not exceed three years.

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employer contributions shall continue to be payable by the employer during the person's participation in the plan, but payments of employee contributions shall cease upon the effective date of the person's commencement of participation in the plan.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 8 -Retirement System (Continued)

The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan fund, which shall not earn interest.

Upon termination of employment at the end of the specified period of participation, a participant in the plan shall receive, at his/her option, a lump sum payment from the Deferred Retirement Option

Plan fund equal to the payments made to that fund on his/her behalf, a true annuity based upon his/her account in that fund, or any other method of payment approved by the Board of Trustees.

Contributions

The actuarially required employer contribution for Plan A was determined by adding to the normal cost an amortization payment on the unfunded accrued liability which was based on a 40 year annuity with payments increasing at 4% per year. This payment method conforms to legislation passed during 1988 by the Louisiana Legislature.

Member Contributions:

Member contributions, established by Statute at 9.50% of total compensation for Plan A and 3.0% of total compensation for Plan B, are deducted from the member's salary. Employees contributed \$14,106 and \$15,239 in the year ended September 30, 2008 and 2007, respectively.

Employer Contributions

Employer contributions are actuarially determined every fiscal year according to statutory process. Written notices of these rates are provided to employers annually. Employer rates for Plan A were 12.75%, 13.25% and 13.24% for the years ended September 30, 2008, 2007, and 2006, respectively. Employer contribution rates for Plan B were 6.00%, 6.00% and 5.75% for years ended September 30, 2008, 2007 and 2006, respectively. The District contributed \$24,594, \$22,305 and \$21,014 on behalf of its employees for the years ended September 30, 2008, 2007 and 2006, respectively.

The Parochial Employees' Retirement System of Louisiana issues a stand-alone financial report and can be obtained by contacting their office.

Note 9 - Compensated Absences

The District does not accrue compensated absences as they do not have a formal policy regarding compensated absences. Terminated employees do not receive compensation for unused time.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 10 - Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 11 - Perpetual Servitude

In June, 1995, the Waterworks District entered into a perpetual servitude agreement for the right to drill and maintain water wells, construct and maintain water lines, and to perform such other tasks as may be reasonably related to the operation and maintenance of water wells on the property located next to the Waterworks District main office. The total cost of the agreement was \$8,000.

Note 12 - Deferred Loss

The remaining unamortized issuance costs associated with the Series 1991 General Obligation and Revenue Bonds are being amortized as a component of interest expense over the life of the current bonds.

Note 13 - Board of Members' Fees

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year are as follows:

Fred B. Fluitt, Jr.	\$	945
Ina Johnson		150
Edwin A. Peterson		810
Sonny Watkins		660
Ivan J. Tarou		885
John K. Hollingsworth		885
Total	\$	<u>4,335</u>

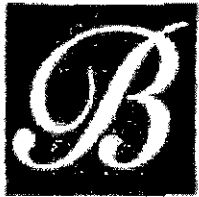
**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 14 – Deferred Tax Revenue

During the 2005 and 2004 tax years, the District assessed millage in excess of the required amounts to repay general obligation bonds. This excess amount has not been recognized as income and is therefore deferred until the amounts are either refunded or offset against future tax assessments.

Note 15 - Prior Year Balances

Certain prior year amounts may have been reclassified to conform with current year presentation.



BROUSSARD & COMPANY

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Founded in 1978

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

We have audited the financial statements of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, as of and for the year ended September 30, 2008, and have issued our report thereon dated February 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 7's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish's financial statements that is more than inconsequential will not be prevented or detected by Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish's internal control. We consider items 2008-01 and 2008-02 to be significant deficiencies.

Board of Commissioners
Waterworks District 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Waterworks District No. 7's internal control.

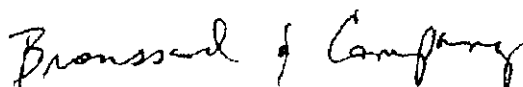
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 and 2008-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements of Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of Waterworks District No. 7 and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Lake Charles, Louisiana
February 12, 2009

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
Dequincy, Louisiana
Schedule of Findings and Questioned Costs
September 30, 2008**

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2008-01 and 2008-02;
material weakness in internal control – refer to B. 2008-01 and 2008-02.
3. No instances of noncompliance noted.

B. GAGAS Findings:

1. 2008-01 - Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District due to the size of the staff.

Management's Response: A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations. Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

2. 2008-02 - Financial Statement Reporting

Finding: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4
OF CALCASIEU PARISH, LOUISIANA
Dequincy, Louisiana
Schedule of Findings and Questioned Costs (Continued)
September 30, 2008**

C. Prior Year Findings:

1. 2007-01 - Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District due to the size of the staff.

Management's Response: A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations. Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

2. 2007-02 - Financial Statement Reporting

Finding: The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management Response: Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.